

# Pandemic helped drive health spending past \$4 trillion in 2020

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The hospital beds were filled. Ventilators were scarce. People were dying at an unanticipated rate.

When the COVID-19 pandemic first rocked the globe in 2020, it also triggered a flood of U.S. health care spending, according to a recently released AMA-sponsored report.

In the first year of the pandemic, national health expenditures (NHE) rose by 9.7% to \$4.1 trillion, or \$12,530 per capita and totaled 19.7% of gross domestic product. This growth rate is substantially higher than the 4.2% average annual growth rate of the preceding 10 years, according to a newly published AMA Policy Research Perspectives report.

## Increases in government spending

The report, “National Health Expenditures, 2020: Spending Accelerates Due to Spike in Federal Government Expenditures Related to the COVID-19 Pandemic” (PDF), shows how the substantial acceleration in spending can primarily be attributed to increases in government spending to manage the COVID-19 pandemic.

This includes expenditures by the government to disseminate vaccines and public health information, as well as spending related to federal relief programs for health care organizations, physicians and other health professionals.

In 2020, the largest share of NHE (27.9%) came from private health insurers. Medicare spending was 20.1% of total spending, Medicaid accounted for 16.3%, and out-of-pocket spending was 9.4% of the total.

The order of these shares has been consistent since 2000. However, in 2020, there was a 3.1 percentage-point decline in the private health insurer share of spending, a 1.3 percentage point drop in the out-of-pocket share, and a 1.2 percentage-point fall in the Medicare portion.

These declines related to substantial spikes in spending from government public health activity, which rose from 2.8% of total spending in 2019 to 5.4% in 2020, and other federal programs, which increased from 0.4% of total spending in 2019 to 4.7% in 2020.

Government efforts to control the pandemic through public health activity resulted in substantial spending growth, a 113.1% rise in spending in this category from 2019 to 2020. Spending on vaccination services, including funding for Operation Warp Speed to accelerate the development of a COVID-19 vaccine, as well as epidemiological surveillance, disease prevention programs, and the operation of public health laboratories played a substantial role in 2020 NHE.

Meanwhile, government-sponsored pandemic relief resulted in substantial spending growth, a notable 1,282%, in the “other federal programs” category from 2019 to 2020.

As government spending increased, private health insurance spending fell by 1.2% in 2020. In contrast, private health insurance spending grew 3.1% in 2019 and had an average annual growth rate of 3.9% over the 10-year period ending in 2019.

## Lower use of medical goods, services

Health care spending can also be broken down according to the goods and services the money is going towards. In this breakout, the largest share of spending in 2020 came from hospital care (30.8%), followed by physician services (14.4%), and prescription drugs (8.4%). Spending accelerated for hospital care (from 6.3% growth in 2019 to 6.4% growth in 2020) and physician services (from 3.8% to 5.3% over the period). However, much of the 2020 growth was driven by relief provided from the Paycheck Protection Program and the Provider Relief Fund.

The pandemic drove lower use of medical goods and services as people steered clear of regular doctor visits, which subsequently affected spending. Aside from expenditures related to federal government spending on other programs such as relief programs, 2020 spending on physician services and hospital care were 1% and 0.7% lower than in 2019.